

Message Text

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TAGS: ETRD, EAGR, EPAP

SUBJECT: COCOA - MEETING OF STATISTICS COMMITTEE

REF: LONDON 2417

1. U.S. COCOA GRIND FIGURES AS FOLLOWS: FIRST QUARTER 1976, 134.2 MILLION POUNDS (60,873 MT); SECOND QUARTER 1976, 121.2 MILLION POUNDS (54,976 MT); THIRD QUARTER 1976, 121.3 MILLION (55,021 MT); FOURTH QUARTER 1976, 120.1 MILLION POUNDS (54,477 MT).

2. TOTAL FOR 1976 WAS 496.8 MILLION POUNDS (225,347 MT) 8.4 PERCENT INCREASE OVER REVISED 1975 ANNUAL FIGURE OF 458.1 MILLION POUNDS (207.793 MT).

3. COMMENTS ON AGENDA ITEM 6. FARMER PRICES IN WEST AFRICA VARY FROM 27 CENTS PER POUND IN GHANA AND THE CAMEROONS TO 33 CENTS IN THE IVORY COAST AND 43 CENTS IN NIGERIA. SINCE COSTS OF PRODUCTION AT THE FARM LEVEL IN WEST AFRICA ARE IN THE NEIGHBORHOOD OF 35 CENTS, TWO COUNT-
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RIES ARE CLEARLY PAYING BELOW THE COST OF PRODUCTION;
ONE COUNTRY IS PAYING FARMERS THE COST OF PRODUCTION;
AND IT APPEARS THAT NIGERIA IS PAYING SOMEWHAT ABOVE
PRODUCTION COSTS. REGARDLESS OF THE NIGERIAN SITUATION

THE FACT REMAINS THAT RECORD WORLD COCOA PRICES ARE HAVING
VERY LITTLE IMPACT ON FUTURE WEST AFRICAN PRODUCTION.

THIS WILL DELAY THE WORLD PRODUCTION RESPONSE TO RECORD PRICES AND ALMOST ASSURES THAT SHORTAGES WILL CONTINUE TO EXIST DURING THE NEXT FOUR YEARS. THE CONSUMPTION AND PRODUCTION ESTIMATE FOR 1985 OF 2.2 TO 2.3 MILLION TONS APPEARS REASONABLE EVEN THOUGH GHANAIAAN AND NIGERIAN ESTIMATES PROBABLY OVER-STATE THE EXPECTED PRODUCTION OF THESE TWO MAJOR PRODUCERS. THE ESTIMATES FOR THE REST OF THE WORLD PROBABLY UNDERESTIMATE THE EXPECTED OUTPUT OF MINOR PRODUCING COUNTRIES. GIVEN THE CURRENT GHANAIAAN PRICING POLICIES GHANA IS UNLIKELY TO EXCEED 300,000 TONS BY 1985. RECENT EVIDENCE ALSO SUGGESTS THE NIGERIAN PRODUCTION BASE HAS ERODED DURING THE LAST FEW YEARS AND THAT IT WILL BE DIFFICULT TO ACHIEVE 350,000 TONS BY 1985. PRODUCTION ESTIMATES FOR BOTH COUNTRIES SHOULD THEREFORE BE LOWERED BY SIGNIFICANT AMOUNTS. ASSUMING A LONG-TERM PRICE ELASTICITY OF .4 FOR THE REST OF THE WORLD, PRODUCTION IN MINOR PRODUCING COUNTRIES COULD INCREASE 70-80 PERCENT BY THE MID 1980S. ON THE OTHER SIDE OF THE EQUATION SUBSTITUTE FATS CAN BE EXPECTED TO INCREASE THEIR MARKET SHARES DURING THE MID 1980S. REPLACEMENT MAY BE FROM 200 TO 250 THOUSAND TONS BY THAT TIME. WHILE THIS ANALYSIS COMES TO SIMILAR CONCLUSIONS AS THE ICCO STUDY IT DOES SO BY DIFFERENT MEANS. SMALL PRODUCERS MAY NOT RESPOND TO CURRENT PRICES AS EXPECTED WHILE GHANA AND NIGERIA ARE MOST LIKELY TO DECLINE AS NOTED ABOVE. THE RESULT COULD BE CONTINUING PRODUCTION GAPS BEYOND THE NEXT THREE TO FOUR YEARS RATHER THAN A 3-4 SHORTAGE FOLLOWED BY A BETTER BALANCE BY 1985.

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4. ITEM 8. THE U.S. OBSERVER SHOULD SEEK MORE CLARIFICATION ON THE EFFORT TO MEASURE COCOA CONSUMPTION IN INDIVIDUAL COUNTRIES TO DETERMINE WHAT ROLE IS ENVISAGED FOR THE U.S. AND WHAT COOPERATION MAY BE EXPECTED FROM THE USG AND OUR TRADE AND INDUSTRY.
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